

# Auditing Procedures Report

Issued under P.A. 2 of 1986, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>VILLAGE OF NEW ERA</b>	County <b>OCEANA</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>11/11/05</b>	Date Accountant Report Submitted to State: <b>12/9/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>BRICKLEY DELONG, PLC</b>			
Street Address <b>500 TERRACE PLAZA, PO BOX 999</b>	City <b>MUSKEGON</b>	State <b>MI</b>	Zip <b>49443-0999</b>
Accountant Signature <i>Brickley DeLong, PLC</i>		Date <b>12/9/05</b>	

Village of New Era  
Oceana County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended June 30, 2005



Village of New Era

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Village of New Era  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2005

As management of the Village of New Era, we present to the readers of the Village's financial statements this overview and analysis of the financial activities of the Village of New Era for the fiscal year ended June 30, 2005. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter. To those familiar with prior year financial statements or just new to this document, it is important to know that the Village is presenting this analysis along with these statements in a new format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34).

### **FINANCIAL HIGHLIGHTS**

- During the year the Village began road project on First Street. This project will be completed during the fiscal year ending June 30, 2006.
- The year ending June 30, 2005 is the first year the Village has no payment of long-term debt. This is due to the paying off all debt in the subsequent year. Correspondingly, the Village receives three mills less in property taxes.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village of New Era's basic financial statements are comprised of three components: 1) governmental-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Village's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of New Era, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories—governmental funds and proprietary funds.

Village of New Era  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2005

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Village of New Era maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, and the Local Street Fund, which are considered major funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's budgetary information as it relates to the actual expenditures for the General Fund and other major funds.

Village of New Era  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2005

**Government-wide Financial Analysis**

The first table presented below is a summary of the government-wide statement of net assets for the Village of New Era. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of June 30, 2005, the Village's net assets from governmental activities totaled \$1,005,311 (62%) and \$605,329 (38%) from business-type activities, creating a total government-wide net assets total of \$1,610,640.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Village's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets are \$760,415. This represents the amount of discretionary cash or investments that can be used for general governmental operations.

As shown below, governmental activities capital assets increased by \$164,597 due to the Village undertaking a road project.

**Village of New Era Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Current assets and other assets	\$ 1,054,471	\$ 1,079,276	\$ (68,758)	\$ (68,661)	\$ 985,713	\$ 1,010,615
Capital assets	-	164,597	693,297	673,990	693,297	838,587
Total assets	<u>1,054,471</u>	<u>1,243,873</u>	<u>624,539</u>	<u>605,329</u>	<u>1,679,010</u>	<u>1,849,202</u>
Current liabilities	<u>295,866</u>	<u>238,562</u>	<u>-</u>	<u>-</u>	<u>295,866</u>	<u>238,562</u>
Net assets						
Invested in capital assets, net of related debt	-	164,597	693,297	673,990	693,297	838,587
Restricted	-	-	11,407	11,638	11,407	11,638
Unrestricted	<u>758,605</u>	<u>840,714</u>	<u>(80,165)</u>	<u>(80,299)</u>	<u>678,440</u>	<u>760,415</u>
Total net assets	<u>\$ 758,605</u>	<u>\$ 1,005,311</u>	<u>\$ 624,539</u>	<u>\$ 605,329</u>	<u>\$ 1,383,144</u>	<u>\$ 1,610,640</u>

**Governmental Activities**

Governmental activities increased by \$246,706 (33%) during the 2005 fiscal year. With all of the Village's governmental operations combined, the net result was that its operating revenues exceeded its operating expenditures, producing the resulting change in net assets.

- Charges for services and public works expenses increased in 2005 because the Village incurred cost and received revenue from residents related to unplanned local street project.
- Capital grants and contributions increased in 2005 as a result of grants for major street construction projects.
- Property taxes increased due to higher rates in the General Fund and lower rates in the Sewer Fund.

Village of New Era  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2005

**Business-type Activities**

Business-type activities decreased by \$19,501 (3%) during the 2005 fiscal year. The Village's Business-type activities are limited to the operations of the sewer system. The net result of the sewer system was that its operating revenues were exceeded by its operating expenditures, producing the resulting change in net assets.

Property taxes decreased from the prior year as a result of the retirement of debt and the related levy in 2004.

**Village of New Era Change in Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 5,101	\$ 17,975	\$ 23,568	\$ 25,279	\$ 28,669	\$ 43,254
Operating grants	75,175	71,872	-	-	75,175	71,872
Capital grants and contributions	-	142,157	-	-	-	142,157
General revenues						
Property taxes	38,065	51,589	28,608	-	66,673	51,589
Grants and contributions not restricted	41,129	39,711	-	-	41,129	39,711
Unrestricted investment earnings	18,648	22,213	324	291	18,972	22,504
Miscellaneous	-	163	-	-	-	163
Total revenues	<u>178,118</u>	<u>345,680</u>	<u>52,500</u>	<u>25,570</u>	<u>230,618</u>	<u>371,250</u>
<b>Expenses</b>						
General government	29,171	35,631	-	-	29,171	35,631
Public safety	30,896	33,309	-	-	30,896	33,309
Public works	54,180	24,955	41,014	44,780	95,194	69,735
Culture and recreation	5,514	5,079	-	-	5,514	5,079
Interest on long-term debt	-	-	2,400	-	2,400	-
Total expenses	<u>119,761</u>	<u>98,974</u>	<u>43,414</u>	<u>44,780</u>	<u>163,175</u>	<u>143,754</u>
Change in net assets	58,357	246,706	9,086	(19,210)	67,443	227,496
Net assets – July 1, 2004	700,248	758,605	615,453	624,539	1,315,701	1,383,144
Net assets – June 30, 2005	<u>\$ 758,605</u>	<u>\$ 1,005,311</u>	<u>\$ 624,539</u>	<u>\$ 605,329</u>	<u>\$ 1,383,144</u>	<u>\$ 1,610,640</u>

Village of New Era  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2005

**Financial Analysis of the Government's Funds**

As stated earlier in this discussion and analysis, the Village of New Era uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Village of New Era governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2005 fiscal year, the Village of New Era governmental funds reported a combined unreserved fund balance of \$840,714. This number represents the unreserved fund balance \$466,660 in the General Fund, 238,857 in the Major Street Fund, and \$135,197 in the Local Street Fund. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Village's discretion. The Village's entire fund balance for all three funds is unreserved as of June 30, 2005.

**Budget Amendments**

During the current fiscal year, the Village made no amendments to its original budget, similarly the Village had no significant changes in the budgets related to the Local or Major Streets.

**Budget Variances**

General Fund

- The Village did not spend monies for projects related to improving aesthetics of the down town area, thus other governmental function expenditures are under budget.
- State revenue sharing was greater than the Village anticipated resulting in more revenue than expected.
- The Village was able to earn a better return on investments due to increased market interest rates, therefore investment income was larger than budgeted

Major Streets

- As in the General Fund, the Village was able to earn a better return on investments due to increased market interest rates, therefore investment income was larger than budgeted
- The intergovernmental revenues is greater than budgeted due to monies previously paid by the State of Michigan being spent and recognized as revenue in the current year.
- Consulting was less than budget due to engineering fees being recorded as capital outlay, in addition, the Village postponing tree work until street project is finished.

Village of New Era  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2005

Local Streets

- The Village incurred extra cost related to unplanned street project; as a result the Village was compensated by affected residents for these additional costs. Thus both revenues and expenditures were greater than budgeted.

**Capital Assets**

The Village of New Era investment in capital assets for its governmental and business-type activities as of June 30, 2005 totaled \$838,587 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, plants and vehicles.

During the year the Village's only capital investments related to road improvements.

**Village of New Era CAPITAL ASSETS**  
**(Net of Accumulated Depreciation)**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Construction in Progress	\$ 142,157	\$ -
Infrastructure	22,440	-
Plants and infrastructure	<u>-</u>	<u>673,990</u>
 Total	 <u>\$ 164,597</u>	 <u>\$ 673,990</u>

Additional information on the Village's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

**Long-term debt.**

The Village had no long-term debt during the fiscal year

Village of New Era  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2005

**General Economic Overview**

- The Village of New Era has set fiscal accountability and financial stability as its number one priority. This is also its greatest challenge.
- The Village's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised over 91% of the General Fund revenue sources. In fiscal 2006, state revenue is expected to continue to decline. Property tax revenues will likely remain constant.
- The Village plans to finish the major street project during the next fiscal year.
- Subsequent to year end, the road project encountered cost exceeding budget by approximately 150,000. These costs will be absorbed by a federal grant passed through the state.

**Requests for Information**

This financial report is designed to provide a general overview of the Village of New Era's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Village of New Era, P.O. 85, New Era, MI 49446, (231) 861-5988.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

November 11, 2005

Village Council  
Village of New Era  
New Era, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Village of New Era as of and for the year ended June 30, 2005, which collectively comprise the Village's financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of New Era's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Village of New Era, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vii and 21 through 23 are not a required part of the basic financial statement but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

*Brickley DeLong, PLC*

Village of New Era  
**STATEMENT OF NET ASSETS**  
June 30, 2005

ASSETS

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 974,440	\$ 103	\$ 974,543
Receivables	347	2,912	3,259
Internal balances	83,314	(83,314)	-
Due from other governmental units	<u>21,175</u>	<u>-</u>	<u>21,175</u>
Total current assets	1,079,276	(80,299)	998,977
<b>NONCURRENT ASSETS</b>			
Restricted assets	-	11,638	11,638
Capital assets, net			
Nondepreciable	142,157	-	142,157
Depreciable	<u>22,440</u>	<u>673,990</u>	<u>696,430</u>
Total noncurrent assets	<u>164,597</u>	<u>685,628</u>	<u>850,225</u>
Total assets	1,243,873	605,329	1,849,202
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	84,853	-	84,853
Deferred revenue	<u>153,709</u>	<u>-</u>	<u>153,709</u>
Total liabilities	<u>238,562</u>	<u>-</u>	<u>238,562</u>
<b>NET ASSETS</b>			
Invested in capital assets	164,597	673,990	838,587
Restricted for:			
Sewer projects	-	11,638	11,638
Unrestricted	<u>840,714</u>	<u>(80,299)</u>	<u>760,415</u>
Total net assets	<u>\$ 1,005,311</u>	<u>\$ 605,329</u>	<u>\$ 1,610,640</u>

The accompanying notes are an integral part of this statement.

Village of New Era  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2005

<i>Functions/Programs</i>	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		
					Governmental activities	Business-type activities	Total
Governmental activities							
General government	\$ 35,631	\$ 1,584	\$ -	\$ -	\$ (34,047)	\$ -	\$ (34,047)
Public safety	33,309	-	-	-	(33,309)	-	(33,309)
Public works	24,955	16,391	71,872	142,157	205,465	-	205,465
Culture and recreation	5,079	-	-	-	(5,079)	-	(5,079)
Total governmental activities	98,974	17,975	71,872	142,157	133,030	-	133,030
Business-type activities							
Sewer	44,780	25,279	-	-	-	(19,501)	(19,501)
Total government	\$ 143,754	\$ 43,254	\$ 71,872	\$ 142,157	133,030	(19,501)	113,529
General revenues							
Property taxes, levied for general purposes					51,589	-	51,589
Grants and contributions not restricted to specific purposes					39,711	-	39,711
Unrestricted investment earnings					22,213	291	22,504
Miscellaneous					163	-	163
Total general revenues					113,676	291	113,967
Change in net assets					246,706	(19,210)	227,496
Net assets at July 1, 2004					758,605	624,539	1,383,144
Net assets at June 30, 2005					\$ 1,005,311	\$ 605,329	\$ 1,610,640

The accompanying notes are an integral part of this statement.

Village of New Era  
**BALANCE SHEET**  
 Governmental Funds  
 June 30, 2005

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Total governmental funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 370,157	\$ 480,547	\$ 123,736	\$ 974,440
Receivables	347	-	-	347
Due from other funds	83,314	-	9,562	92,876
Due from other governmental units	12,842	6,434	1,899	21,175
Total assets	<u>\$ 466,660</u>	<u>\$ 486,981</u>	<u>\$ 135,197</u>	<u>\$ 1,088,838</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ -	\$ 84,853	\$ -	\$ 84,853
Due to other funds	-	9,562	-	9,562
Deferred revenue	-	153,709	-	153,709
Total liabilities	-	248,124	-	248,124
Fund balances				
Unreserved				
General Fund	466,660	-	-	466,660
Special revenue funds	-	238,857	135,197	374,054
Total fund balances	<u>466,660</u>	<u>238,857</u>	<u>135,197</u>	<u>840,714</u>
Total liabilities and fund balances	<u>\$ 466,660</u>	<u>\$ 486,981</u>	<u>\$ 135,197</u>	<u>\$ 1,088,838</u>

The accompanying notes are an integral part of this statement.

Village of New Era  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS**  
 June 30, 2005

Total fund balance—governmental funds		\$ 840,714
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of capital assets	\$ 213,740	
Accumulated depreciation	<u>(49,143)</u>	<u>164,597</u>

Net assets of governmental activities in the Statement of Net Assets		\$ <u><u>1,005,311</u></u>
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The accompanying notes are an integral part of this statement.

Village of New Era  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Governmental Funds  
 For the year ended June 30, 2005

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Total governmental funds</u>
<b>REVENUES</b>				
Property taxes	\$ 51,589	\$ -	\$ -	\$ 51,589
Intergovernmental revenues - state	39,711	200,943	13,086	253,740
Charges for services	200	-	-	200
Fines and forfeitures	1,384	-	-	1,384
Investment earnings	7,323	12,118	2,772	22,213
Other	163	-	16,391	16,554
	<u>100,370</u>	<u>213,061</u>	<u>32,249</u>	<u>345,680</u>
<b>EXPENDITURES</b>				
Current				
General government	16,391	-	-	16,391
Public safety	33,309	-	-	33,309
Public works	-	14,674	9,638	24,312
Culture and recreation	5,079	-	-	5,079
Other governmental functions	19,240	-	-	19,240
Capital outlay	-	142,157	23,083	165,240
	<u>74,019</u>	<u>156,831</u>	<u>32,721</u>	<u>263,571</u>
Net change in fund balances	26,351	56,230	(472)	82,109
Fund balances at July 1, 2004	<u>440,309</u>	<u>182,627</u>	<u>135,669</u>	<u>758,605</u>
Fund balances at June 30, 2005	<u>\$ 466,660</u>	<u>\$ 238,857</u>	<u>\$ 135,197</u>	<u>\$ 840,714</u>

The accompanying notes are an integral part of this statement.

Village of New Era  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
 For the year ended June 30, 2005

Net change in fund balances—total governmental funds: \$ 82,109

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (643)	
Capital outlay	<u>165,240</u>	<u>164,597</u>

Change in net assets of governmental activities \$ 246,706

The accompanying notes are an integral part of this statement.

Village of New Era  
**STATEMENT OF NET ASSETS**  
 Sewer Fund  
 June 30, 2005

ASSETS

CURRENT ASSETS		
Cash and investments	\$	103
Accounts receivable		<u>2,912</u>
Total current assets		3,015
NONCURRENT ASSETS		
Restricted assets		11,638
Capital assets, net		
Depreciable		<u>673,990</u>
Total noncurrent assets		<u>685,628</u>
Total assets		688,643
LIABILITIES AND NET ASSETS		
LIABILITIES		
Due to other funds		<u>83,314</u>
NET ASSETS		
Restricted for:		
Sewer projects		11,638
Unrestricted		<u>593,691</u>
Total net assets	\$	<u><u>605,329</u></u>

The accompanying notes are an integral part of this statement.

Village of New Era  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
 Sewer Fund  
 For the year ended June 30, 2005

REVENUES		
Charges for services	\$	25,279
OPERATING EXPENSES		
Administration		77
Operations		25,368
Depreciation		<u>19,307</u>
Total operating expenses		<u>44,752</u>
Operating loss		(19,473)
NONOPERATING REVENUES (EXPENSES)		
Investment earnings		291
Interest expense		<u>(28)</u>
Total nonoperating revenue (expenses)		<u>263</u>
Change in net assets		(19,210)
Total net assets at July 1, 2004		<u>624,539</u>
Total net assets at June 30, 2005	\$	<u><u>605,329</u></u>

The accompanying notes are an integral part of this statement.

Village of New Era  
**STATEMENT OF CASH FLOWS**  
 Sewer Fund  
 For the year ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 23,883
Payments to suppliers	<u>(25,445)</u>
Net cash used for operating activities	(1,562)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal and interest paid on capital debt	(28)
CASH FLOW FROM INVESTING ACTIVITIES	
Interest and dividends	<u>291</u>
Net decrease in cash and investments	(1,299)
Cash and investments at July 1, 2004	<u>13,040</u>
Cash and investments at June 30, 2005	<u><u>\$ 11,741</u></u>
Reconciliation of cash and investments to the statement of net assets	
Cash and investments	\$ 103
Restricted assets	<u>11,638</u>
	<u><u>\$ 11,741</u></u>
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (19,473)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation expense	19,307
Change in assets and liabilities	
Receivables, net	<u>(1,396)</u>
Net cash used by operating activities	<u><u>\$ (1,562)</u></u>

The accompanying notes are an integral part of this statement.

Village of New Era  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of New Era (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

Effective July 1, 2003, the Village and component units adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the Village's activities.
- A change in the fund financial statements to focus on the major funds.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

**1. Reporting Entity**

The Village of New Era (Village) is a municipal corporation governed by an elected seven-member Village Council.

Generally accepted accounting principles require that if the Village has certain oversight responsibilities over other organizations, those organizations should be included in the Village's financial statements. Since no organizations met this criteria, none are included in the financial statements.

**2. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Village does not allocate indirect costs.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Village of New Era  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**3. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund and Local Street Fund are used to improve the Village's infrastructure.

The Village reports on the following proprietary fund:

The Sewer Fund operates the Village's sewage.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Village's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Village of New Era  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**3. Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued**

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

**4. Assets, Liabilities and Net Assets or Equity**

**a. Deposits and Investments**

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Village reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Village intends to hold the investment until maturity.

The Village has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Village to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

Village of New Era  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**4. Assets, Liabilities and Net Assets or Equity—Continued**

**b. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Village bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Village to the County for collection. The County advances the Village all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Village. The Village recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 state taxable value for real/personal property of the Village totaled approximately \$10,200,000. The ad valorem taxes levied consisted of 5.195 mills for the Village's operating purposes. These amounts are recognized in the General Fund.

**c. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out(FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**d. Restricted Assets**

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Village of New Era  
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED  
June 30, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**4. Assets, Liabilities and Net Assets or Equity—Continued**

**e. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-40
Infrastructure	20-30
Land improvements	10-20
Equipment	5-10

**f. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**g. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Village of New Era  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
 June 30, 2005

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets, and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first Monday of May, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Village Hall to obtain taxpayer comments.
- c. Not later than the first Monday in June, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Village Council. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Village's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Village Council. The legal level of budgetary control is the department level. The Village Council made several supplemental budgetary appropriations throughout the year.

**NOTE C—DEPOSITS AND INVESTMENTS**

As of June 30, 2005, the Village had the following investments:

<b>Investment Type</b>	<u>Fair value</u>	<u>Weighted average maturity (Days)</u>	<u>Standard &amp; Poor's Rating</u>	<u>Percent</u>
External investment pool	\$ <u>388,080</u>	<u>14</u>	not rated	100%

The Village voluntarily invests certain excess funds in an external investment pool (Pool). The fair value of the Village's investments is the same as the value of the Pool. The Pool is not regulated nor is it registered with the SEC.

**Interest rate risk.** The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Village has no investment policy that would further limit its investment choices.

Village of New Era  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
 June 30, 2005

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Concentration of credit risk.** The Village does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Village investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of June 30, 2005, \$871,327 of the Village's bank balance of \$571,327 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The Village does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Village is not authorized to invest in investments which have this type of risk.

**Restricted Assets**

Restrictions are placed on assets by bond ordinance and Village Council action. At June 30, 2005, restricted cash and investments in the Sewer Fund was comprised of \$11,638 for equipment replacement.

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Construction in progress	\$ -	\$ 142,157	\$ -	\$ 142,157
<b>Capital assets, being depreciated:</b>				
Infrastructure	-	23,083	-	23,083
Buildings and other improvements	3,500	-	-	3,500
Equipment	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
Total capital assets, being depreciated	48,500	23,083	-	71,583
Less accumulated depreciation for:				
Infrastructure	-	643	-	643
Buildings and other improvements	3,500	-	-	3,500
Equipment	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
Total accumulated depreciation	<u>48,500</u>	<u>643</u>	<u>-</u>	<u>49,143</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>22,440</u>	<u>-</u>	<u>22,440</u>
Capital assets, net	<u>\$ -</u>	<u>\$ 164,597</u>	<u>\$ -</u>	<u>\$ 164,597</u>

Village of New Era  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
 June 30, 2005

**NOTE D—CAPITAL ASSETS—Continued**

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
<b>Business-type activities:</b>				
<b>Capital assets, being depreciated:</b>				
Plants and systems	\$ 965,360	\$ -	\$ -	\$ 965,360
Equipment	<u>1,896</u>	<u>-</u>	<u>-</u>	<u>1,896</u>
Total capital assets, being depreciated	967,256	-	-	967,256
Less accumulated depreciation:				
Plants and systems	272,063	19,307	-	291,370
Equipment	<u>1,896</u>	<u>-</u>	<u>-</u>	<u>1,896</u>
Total accumulated depreciated	<u>273,959</u>	<u>19,307</u>	<u>-</u>	<u>293,266</u>
Capital assets, net	<u>\$ 693,297</u>	<u>\$ (19,307)</u>	<u>\$ -</u>	<u>\$ 673,990</u>

**Governmental activities:**

**Depreciation**

Depreciation expense of \$643 was charged to Public Works.

**Business-type activities:**

**Depreciation**

Depreciation expense of \$19,307 was charged to sewer.

**NOTE E—DEFERRED REVENUE**

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the Major Street Fund had unearned revenues of \$167,856.

**NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances, caused by normal operation, is as follows:

*Due to/from other funds:*

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 83,314
Local Street Fund	Major Street Fund	<u>9,562</u>
		<u>\$ 92,876</u>

Village of New Era  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE G—OTHER INFORMATION**

**1. Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

**2. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Village expects such amounts, if any, to be immaterial.

**NOTE H—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 39 percent of General Fund revenues.

**NOTE I—SUBSEQUENT EVENT**

Subsequent to the Village's fiscal year, the road construction project finished over budget by approximately \$150,000. These costs have been absorbed by a federal grant.

**NOTE J—CONSTRUCTION COMMITMENT**

The Village is in the middle of a large road construction project as of June 30, 2005. They have entered into an agreement related to the road construction project for \$505,000.

**REQUIRED SUPPLEMENTAL INFORMATION**

Village of New Era  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
 General Fund  
 For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance with final budget- Positive (negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 52,000	\$ 52,000	\$ 51,589	\$ (411)
Fines and forfeitures	150	150	1,384	1,234
Intergovernmental revenues - state	35,000	35,000	39,711	4,711
Charges for services	300	300	200	(100)
Investment earnings	3,800	3,800	7,323	3,523
Miscellaneous	750	750	163	(587)
	92,000	92,000	100,370	8,370
<b>EXPENDITURES</b>				
Current				
General government				
Board	5,900	5,900	5,809	91
Clerk	5,375	5,375	5,160	215
Treasurer	3,900	3,900	3,876	24
Township hall	1,705	1,705	1,546	159
Public safety	34,025	34,025	33,309	716
Culture and recreation	5,605	5,605	5,079	526
Other governmental functions	35,490	35,490	19,240	16,250
Total expenditures	92,000	92,000	74,019	17,981
Net change in fund balances	\$ -	\$ -	26,351	\$ 26,351
Fund balance at July 1, 2004			440,309	
Fund balance at June 30, 2005			\$ 466,660	

Village of New Era  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
Major Street Fund  
For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance with final budget- Positive (negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues - state	\$ 55,000	\$ 55,000	\$ 200,943	\$ 145,943
Investment earnings	4,000	4,000	12,118	8,118
Total revenues	59,000	59,000	213,061	154,061
<b>EXPENDITURES</b>				
Current				
Public works				
Routine maintenance	5,000	5,000	5,391	(391)
Traffic services	500	500	404	96
Winter maintenance	7,500	7,500	7,287	213
Bookkeeping	125	300	257	43
Consulting	10,000	9,325	430	8,895
Miscellaneous items	3,600	4,100	905	3,195
Capital outlay	150,000	150,000	142,157	7,843
Total expenditures	176,725	176,725	156,831	19,894
Net change in fund balances	\$ (117,725)	\$ (117,725)	56,230	\$ 173,955
Fund balance at July 1, 2004			182,627	
Fund balance at June 30, 2005			\$ 238,857	

Village of New Era  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
 Local Street Fund  
 For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance with final budget- Positive (negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues - state	\$ 10,000	\$ 13,250	\$ 13,086	\$ (164)
Investment earnings	2,500	2,500	2,772	272
Special assessment	-	-	16,391	16,391
	12,500	15,750	32,249	16,499
<b>EXPENDITURES</b>				
Current				
Public works				
Routine maintenance	5,000	500	466	34
Traffic services	500	-	-	-
Winter maintenance	7,500	9,000	8,542	458
Bookkeeping	125	150	136	14
Insurance	250	250	175	75
Miscellaneous items	2,200	500	319	181
Capital outlay	8,000	7,000	23,083	(16,083)
Total expenditures	23,575	17,400	32,721	(15,321)
Net change in fund balances	\$ (11,075)	\$ (1,650)	(472)	\$ 1,178
Fund balance at July 1, 2004			135,669	
Fund balance at June 30, 2005			\$ 135,197	

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

November 11, 2005

Village Council  
Village of New Era  
New Era, Michigan

In planning and performing our audit of the general purpose financial statements of the Village of New Era for the year ended June 30, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Village of New Era's ability to initiate, record, process and report financial data consistent with the assertions of management in the general purpose financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, the following conditions described above are not believed to be material weaknesses.

This report is intended solely for the information and use of the Village Council, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

## REPORTABLE CONDITIONS

Recommendation 1: The internal control procedures should be further segregated.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining an accounting system with strong internal accounting controls including significant segregation of duties.

The Township should continue using its current accounting systems, but seek opportunities to further segregate duties and strengthen internal controls. Often, the most effective approach is the expansion of documented approval of transactions by the Township Board and chief executive officer.

Recommendation 2: The Village should maintain a complete set of accounting records.

During our audit, we noted that the financial records did not contain any balance sheet accounts. The current records only track revenue and expenditure amounts.

The Village should maintain a complete set of financial records including a balance sheet. The maintenance of a complete set of financial records would provide more accurate interim financial information. These financial statements would provide the information needed to monitor cash balances and interfund loans.

Recommendation 3: The Village Board should authorize all cash transfers between funds.

During our audit, we noted that the exchange of monies between funds did not always indicate whether the receiving fund was to pay back the giving fund.

Any exchange of monies should be documented as a transfer or a loan that should be paid back. This will assist the clerk in record keeping, and help provide more accurate monthly reports to the board.